Mr Bolton
+ file

The Greyhound Corporation 1967 Annual Report

OUR COVER: One of the world's best-known servicemarks, the dashing greyhound, takes on new qualities as it reflects the progressively modern look of the Greyhound of today.

REVENUES, PROFITS SEPARATED BY OPERATION

	REVENUES			PROFITS		
	1967	1966	% Change	1967	1966	% Change
Transportation						
U.S. Bus Operations..........	$392,821,430	$371,527,575	+ 5.7	$29,597,137	$32,433,016	− 8.7
Canadian Bus Operations......	20,691,996	18,635,332	+ 11.0	3,208,004	2,495,107	+ 28.6
Bus Manufacturing	29,716,747	28,794,815	+ 3.2	2,749,312	2,809,204	− 2.1
Household Moving	22,766,844	20,751,067	+ 9.7	687,867	642,089	+ 7.1
	$465,997,017	$439,708,789	+ 6.0	$36,242,320	$38,379,416	− 5.6
Food	$120,875,851	$115,781,538	+ 4.4	$ 2,609,920	$ 3,588,222	− 27.3
Financial						
Equipment Leasing	*	*		$ 4,132,270	$ 3,541,161	+ 16.7
Computer Leasing (Excludes Minority Interest)	*	*		3,497,580	2,675,254	+ 30.7
Insurance	$ 21,120,607	$ 19,529,466	+ 8.1	1,161,320	1,052,664	+ 10.3
Money Orders	6,997,786	6,518,135	+ 7.4	965,441	744,952	+ 29.6
	$ 28,118,393	$ 26,047,601	+ 8.0	$ 9,756,611	$ 8,014,031	+ 21.7
Less Elimination of Transactions between Greyhound Companies	32,115,872	32,416,664	− .9	1,535,514	1,879,942	− 18.3
Less Minority Interests..........				1,624,250	1,240,732	+ 30.9
Consolidated Totals	$582,875,389	$549,121,264	+ 6.1	$45,449,087	$46,860,995	− 3.0

**Leasing revenues are not consolidated*

CONTENTS

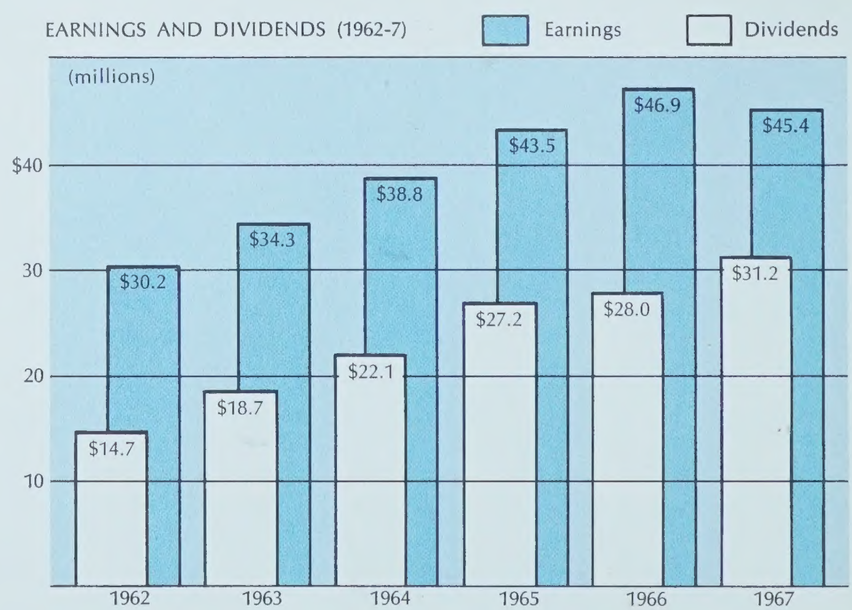
THE YEAR'S FINANCIAL HIGHLIGHTS

Financial Results	1967	1966	% Change
Revenues	$582,875,389	$549,121,264	+ 6.1
Profits	$ 45,449,087	$ 46,860,995	− 3.0
Per share	$1.44	$1.48	—
Common dividends	$ 31,275,117	$ 28,013,553	+ 11.6
Paid per share	.975	.90	—
Depreciation	$ 21,027,370	$ 21,823,976	− 3.7
Cash flow*	$ 66,476,457	$ 68,684,971	− 3.2
Taxes	$ 66,505,876	$ 67,339,938	− 1.2
As a per cent of revenues	11.4	12.3	—
Financial Position			
Long-term debt	$ 77,284,136	$ 77,171,554	+ .1
Shareowners' equity	$251,132,857	$235,425,421	+ 6.7
Long-term debt (including current portion) per dollar of equity	$.308	$.328	—
Number of common shares outstanding	31,449,750	31,278,548	—
People			
Number of shareowners	127,169	124,784	—
Number of employees (average)	35,023	33,930	—

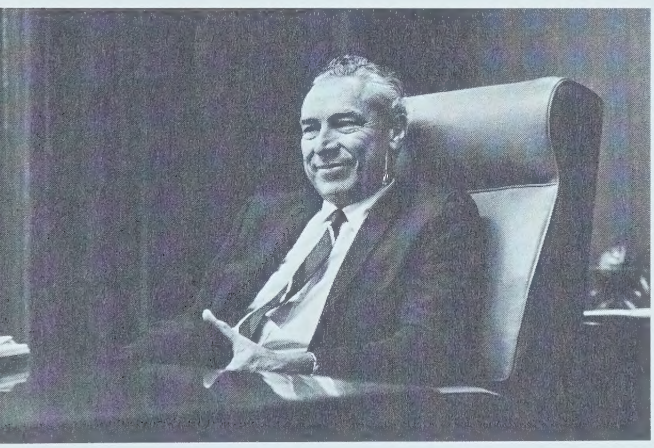
*net income plus depreciation

ANNUAL MEETING

The annual meeting of Greyhound stockholders will be held May 21, 1968, starting at 10:30 a.m., Eastern Daylight Savings Time, at the Marriott Motor Hotel, Atlanta, Georgia. A formal notice of the meeting, a proxy statement and a form of proxy will be sent stockholders in April. We hope you will plan to attend the annual meeting.



Frederick W. Ackerman, Chairman



Gerald H. Trautman, President

Dear Shareholder:

During 1967, your management continued its efforts to make our Greyhound services, whether it was transportation, food or financial service, the best to be obtained anywhere. In this connection, we have had excellent cooperation from our fellow employees, who are becoming increasingly aware of the bright future of our company.

The detailed results of these efforts, including a financial breakdown, are set forth subsequently in this report. So here we will call to your attention only the significant highlights of 1967.

• Many of our diversified businesses reached new highs in 1967:

Travelers Express Company, acquired in 1964, sold more than $1 billion of money orders and had its highest earnings in history—$965,441 after taxes.

Our leasing companies also achieved a new high in earnings—$7,629,850 after taxes. They now have on lease more than $500 million in equipment.

General Fire and Casualty Company, which we purchased for $10 million in 1964, earned $1,161,320 after taxes, a new record for this company.

Greyhound Van Lines, now a nationwide carrier of household goods and electronic equipment, had its best year with after-tax earnings of $687,867.

Our sightseeing and tour companies (Greyhound Highway Tours, Gray Line of San Francisco, Washington Sightseeing and California Parlor Car Tours) reached new records in earnings, reflecting the surge of leisure travel induced at least in part by Greyhound's "Discover America" campaign.

• Your company continued to diversify in 1967:

We acquired the interests of the Segal brothers in Miami, Florida, and Atlanta, Georgia, including the exclusive franchises to serve the airports in those two important cities, and a substantial rent-a-car business which we intend to expand in an orderly manner into areas where there is a profit potential. These operations will continue under the able management of the Segal brothers.

We also acquired all of the capital stock of Aircraft Services International, which is engaged in ground support activities, such as fueling and maintenance of aircraft, at airports across the United States and in Puerto Rico and Hawaii. This company has a young, aggressive management headed by President Howard Bell.

We have an agreement to acquire all of the capital stock of National Air Catering Service, Miami, Florida. Details of

the acquisition now are being arranged. This company is engaged in frozen-food processing and in high-quality in-flight feeding operations for major airlines. It is expected that under the capable management of President Victor Damiano, this company will be the nucleus for a substantial expansion in airline catering.

It is the objective of Greyhound to achieve a position where it can offer a complete peripheral service to the airlines—financing of equipment, maintenance and servicing of planes, and feeding of airline passengers, as well as collection and distribution of airline passengers by bus at terminal points.

During the course of 1967 we looked at a great number of other acquisition possibilities. It is our intention to continue our acquisition program on a selective basis in 1968.

• Despite the excellent record made by some of our subsidiaries in 1967, the consolidated net income of Greyhound dropped from $46,860,995 ($1.48 per share) in 1966 to $45,449,087 ($1.44 per share) in 1967. There were two principal causes of this decrease:

In 1966 we were the beneficiary of a six-week airline strike which, of course, had no counterpart in 1967. Accordingly, the net income from our intercity bus operations was down in 1967. We are projecting an improvement in these earnings in 1968.

The second cause of the decrease in 1967 earnings is directly related to the unrest and uncertainty that prevailed in the United States during that year. While our bus operations were somewhat affected by this, the principal victim was our food operations. Costly strikes of employees of our customers in the automotive, rubber and related industries reduced the earnings of our in-plant feeding operation to the lowest point in several years. And the riots in the Detroit area where our food operations are based contributed further to the difficulties of our food division in 1967. We are projecting a material improvement in earnings in 1968.

• One of the highlights of 1967 was the appearance of our new bus—the MC-6—on U. S. highways. This bus, developed by Greyhound in its own Motor Coach Industries plant at a cost of more than a million dollars, has been successfully road-tested and will be put into production this year. This new bus will provide passengers with the ultimate in safety and comfort.

• The transfer of the headquarters of our U. S. leasing subsidiaries from San Francisco to Chicago, which has been under consideration for some time, finally was accomplished

in 1967. It is expected that the improved correlation of activities at the Chicago main office will contribute to the further growth and expansion of our financial services.

• In 1967 we also completed the organization and financing of our foreign leasing subsidiary—Greyhound Financial & Leasing Corporation, AG. We are fortunate to have as our partners in this enterprise the following respected international bankers:

The Ottoman Bank Finance Company, Ltd., England; members of the Charterhouse Banking Group, England; F. Van-Lanschot, Netherlands; Neuflize, Schlumberger, Mallet & Cie, France; Societe Bancaire de Geneve, Switzerland; Oppenheim (Sal.) Jr. & Cie., West Germany; Kredietbank, Belgium. U. S. banking interests represented by international subsidiaries are the Fidelity Bank, Philadelphia, and the Continental Illinois National Bank & Trust Company, Chicago.

With a paid-in capital of $6,750,000, this company now is in a position to finance itself through foreign sources and therefore should be able to continue its profitable leasing activities throughout Europe without difficulty from the curb on U. S. investments abroad.

• It is a pleasure to inform you that in 1967 we added to our board of directors Mr. Rankin M. Smith, one of Atlanta's outstanding citizens. Mr. Smith is the senior vice president of Life Insurance Company of Georgia and also is the principal owner of the Atlanta Falcons professional football team.

• It also is a pleasure to advise you that Mr. Leslie B. Worthington, who retired last year as president of the United States Steel Corporation, has become a member of the executive committee of our Board.

• In mid-February, your company announced it has an option to buy 86.4 per cent (591,458 shares) of the outstanding common stock of FWD Corporation. This 59-year-old Wisconsin company makes and sells all-wheel-drive trucks. It also builds and sells vehicles used in road building, road maintenance, snow plowing, fire fighting and oil field work, for example. FWD has a good name and a quality product. Its products would complement our growing bus-manufacturing operations.

• The final highlight to which we invite your attention is the annual meeting held in Los Angeles in May 1967. This was our most successful meeting. More shareholders attended in person than ever before — 78 per cent of the stock was represented in person or by proxy — and stockholder participation was active. We hope you will help make the next annual meeting, to be held in Atlanta May 21, 1968, even better.

In 1967, we continued our efforts to keep our stockholders, our employees, members of the financial community and our other friends fully advised as to the activities of Greyhound. To this end, your company for the first time in 1967 reported earnings by major segments of operation. Also to this end, representatives of your management addressed many groups, including security analysts, employees' meetings, transportation groups, business groups and investment and banking groups. In addition, our public relations department was instrumental in bringing Greyhound's many attributes to the attention of the public through newspaper and magazine articles. These efforts will be continued in 1968.

As we move into 1968, your management continues to dedicate themselves to the accomplishment of the following objectives:

To make Greyhound a good place for our employees to work

To provide more and better services for the public, and

To provide a greater return for our shareholders.

We dedicate ourselves to the realization of these objectives with enthusiasm, because we have great confidence in the future of Greyhound.

F. W. Ackerman

Frederick W. Ackerman
Chairman of the Board

Gerald H. Trautman

Gerald H. Trautman
President and Chief Executive Officer

By order of the Board of Directors, March 1, 1968

Financial Position Strong

1967, your company:

Arranged mortgage financing with two insurance ompanies for a major bus garage being constructed New York City. Cost of the garage, including the nd leasehold, is an estimated $19 million. Seventy-ve per cent of the cost (about $14.5 million) is being nanced at 6¼ per cent for 20 years. Proceeds of is financing will be received during 1968 and 1969.

Arranged, for Greyhound Leasing & Financial Cor-oration, a revolving line of credit with 29 banks. ne credit—amounting to $160 million—was at the ime rate. This arrangement is a departure from the bsidiary's previous bank financing agreements. In vent of nonrenewal on any anniversary date, rather an becoming immediately due, amounts outstand-g convert into a term loan to be retired over a five-ear period.

For GC Computer Corporation, arranged, with 50 anks, credit lines of $76.5 million at one-half per ent over the prime rate. These lines are repayable ver a three-year period if not renewed at the end any one-year term.

Settled its controversies with Levin-Townsend omputer Corporation, realizing after taxes $4.9 illion.

Instituted listing of GC Computer on the American ock Exchange to provide its public stockholders ith a ready market. Some 903,500 GC shares (22 er cent of the stock) are held by the public. Grey-ound Leasing owns the rest of the shares (3.2 mil-on). Market value of its holding in GC Computer ock at year's end: in excess of $110 million.

Sold commercial paper (unsecured short-term otes) on the open market, through an investment anker, at prime interest rates. This is a reflection your company's high credit rating.

Received authority from the Interstate Commerce ommission to sell up to $25 million of unsecured otes with terms of from one to five years. With its ime credit rating, Greyhound will be able to sell ese notes on the open market to supply working ipital as needed at attractive rates and under favor-ble conditions.

Bought 568 new intercity buses at an investment $26.1 million, without outside financing. Your ompany's entire fleet of more than 5,500 buses is nencumbered by debt. Total capital expenditures r the year for other than buses: $32 million.

THE GREYHOUND CORPORATION

Greyhound got its start more than 53 years ago—most historians set the date as 1914—up in windswept Hibbing, Minnesota.

It was primarily a transportation company until 1962. In that year, your company acquired today's Greyhound Leasing & Financial Corporation, now the world's leading industrial-equipment lessor.

In 1961, before diversification began, 92.9 per cent of our revenues and 96.4 per cent of profits came from transportation, the rest from food sales. In 1967, transportation accounted for 75.8 per cent of revenues and 72.8 per cent of earnings. Food revenues and earnings were 20.7 and 5.7 per cent, respectively. The financial area contributed 21.5 per cent of profits. (Because of the nature of the leasing operations, revenues are not consolidated. So the percentage figure can't be compared to revenues shown.)

Page 36 contains a detailed breakdown of the companies that make up the Greyhound of today.

'Action' Theme Selected

Again this year, the theme for the annual report is: "The Action Company With a Future." We hope to show that Greyhound is a progressive company doing business in a modern manner—and with an ever-watchful eye on the years ahead.

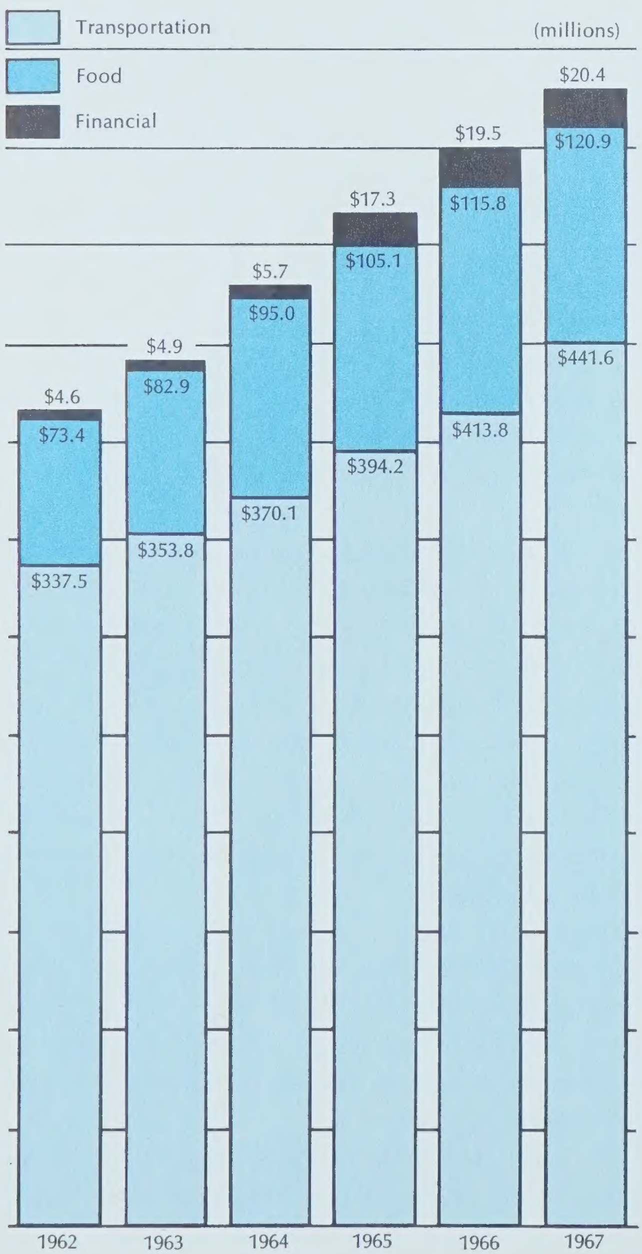
Installation during 1967 of the latest type of computers in various Greyhound subsidiaries helps underscore the company's advance planning. A major program presently under way will help improve equipment control by providing almost instantaneous information on the location of each of the company's more than 5,500 buses. Another program nearing completion will make possible the computerized processing of bus tickets and other data. This will provide management with more concise and usable information on which to base decisions.

At year's end, about one out of every four employees had enrolled in a new plan that enables them to buy stock regularly in the company. This plan, middle-management training programs and such employee benefits as carefully planned retirement programs have resulted in a stronger, more loyal work force.

Several top-level personnel changes were made in the last year. Your company's management believes it has highly

REVENUES (1962-7)

Revenues shown net of transactions between Greyhound companies
In Financial, leasing revenues are not consolidated



competent executives in all key corporate offices, in both the parent company and subsidiaries.

Services Section Created

A new section of our operations—Services—was created. It includes Aircraft Services International, Inc., purchased earlier this year, and National Air Catering Service, which we have an agreement to acquire.

Aircraft Services was privately held. Founded in 1956, it provides ground-handling services for major domestic and foreign airlines, as well as nonairline maintenance and janitorial services.

It operates at 18 locations—from Florida to California, and including Hawaii and Puerto Rico.

National Air Catering Service, founded in 1939 and known by its present name since 1958, produces meals for 12 airlines and is engaged in frozen-food processing. It, too, was privately held.

Both new Services companies are Miami-headquartered. Growth of this new area of Greyhound should parallel the anticipated growth in air travel.

Active in Public Service

As a good corporate citizen, Greyhound was active in 1967 in many public-service areas:

• We conceived, produced and distributed a patriotism brochure, *This Land of Ours*. We provided 200,000 free copies to schools, civic and other organizations and private individuals throughout the world. The brochure was cited in the *Congressional Record*. It praised us for a "fine effort to promote responsible citizenship in these troubled times."

• Seventeen college scholarships were granted Negro and Spanish-speaking students, in many instances with matching funds donated by local radio stations. Greyhound also is a participant in the government's "Plans for Progress" program, aimed at insuring hiring and promotion of employees without regard to race, creed, color or country of origin.

• Lady Greyhound, America's most-honored canine, again was named queen of National Dog Week. She represented the company not only through dozens of radio and television interviews and countless newspaper stories, but in visits across the country to orphanages, children's hospitals and homes for the mentally handicapped.

• A "Start Something" campaign was begun to encourage employees to get involved in civic and charitable activities.

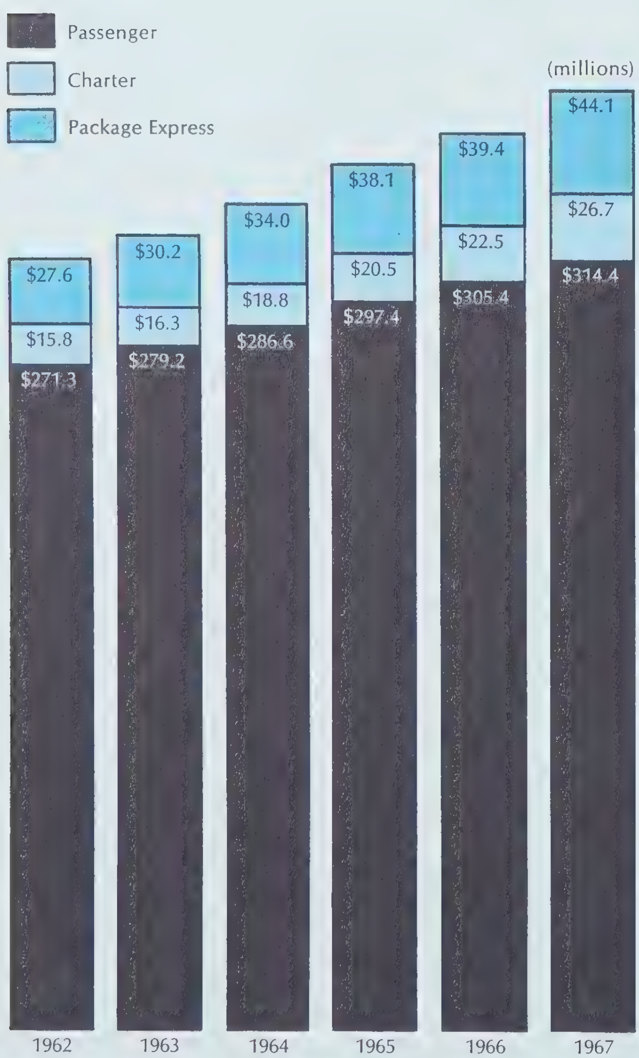
transportation

Revenues of all reporting areas of your company's Transportation Section rose to record levels in 1967:

- U.S. bus operations had record revenues of $392,821,430, a 5.7 per cent increase over 1966. Because of increased costs, primarily labor, and because 1966 profits were distorted by a third-quarter airline strike, 1967 bus profits declined 8.7 per cent to $29,597,137. They were $32,433,016 a year earlier. Passenger revenues in the United States and Canada were $314,407,594, a 3 per cent increase from 1966's $305,381,786.
- Our Canadian bus operations (62 per cent owned by Greyhound) brought in a record $3,208,004 in net income on revenues of $20,691,996. This was a 28.6 per cent increase over 1966 profits of $2,495,107 and an 11 per cent revenue increase over 1966's $18,635,332.
- Greyhound Van Lines, Inc., had profits of $687,867, up 7.1 per cent over 1966, on revenues of $22,766,844. The year-earlier figures were $642,089 earned on $20,751,067 in revenues.
- Motor Coach Industries had 1967 earnings from bus manufacturing of $2,749,312 on revenues of $29,716,747. Profits were down 2.1 per cent, revenues up 3.2 per cent. In 1966, $2,809,204 was earned on $28,794,815 in revenues.

REVENUES—BUS OPERATIONS (1962-7)

(Note: Dividends, interest and other income are not included.)



New Bus Introduced

The year past was highlighted for Greyhound by road-testing of the first dramatically new bus since the mid-1950s.

An experimental model, MC-6X, was tested on express runs between Chicago and New York City. Operating performance exceeded expectations, and initial customer acceptance proved unusually high.

The new bus—50 of which will be delivered in 1968—is five feet longer, more than a foot higher and six inches wider than the current single-level bus. Powered by a 12-cylinder General Motors engine, it was developed over the last four years by Motor Coach Industries.

Because of its increased width and added height and length, the bus is more comfortable for passengers and driver alike. And it's safer.

Its cargo capacity is twice that of present single-level buses —an important revenue-producing factor.

The MC-6X is to be road-tested this year in California, Arizona and Nevada, as well as between Chicago and New York City. Second prototype of the new bus was sent to Europe early in 1968 for installation of a new diesel engine developed by Mercedes-Benz. The bus was returned to the United States for road-testing.

MCI also will deliver to Greyhound 180 standard single-level intercity buses and 150 MC-7 buses incorporating many

new features. While 40 feet long like the MC-6, the MC-7 is a conventional 96 inches wide and 10 feet 9 inches high.

To provide for quantity production of the new buses, additions have been built on MCI plants at Winnipeg, Canada, and Pembina, North Dakota. And a 150,000-square-foot manufacturing plant has been constructed on a 25-acre site in a Winnipeg suburb at a cost of more than $4 million.

Greyhound now will be manufacturing virtually all of its buses as well as selling them to others.

Record Express Revenues

The increased package-express capacity of the new buses should boost Greyhound Package Express revenues, which in 1967 were a record $44.1 million, up 11.9 per cent over $39.4 million in 1966.

The 1967 figure is about double 1960 revenues and more than three times the 1957 volume.

The year ahead will see continuation of a concerted program to improve this profitable phase of your company's operation. Many new techniques are being tried as a result of a year-long Greyhound Package Express study.

For example, modified buses with greater cargo-carrying capacity were given extensive tests on certain major routes in 1967—in order to find more efficient ways of handling the increasing volume of package express.

Such techniques will be combined with stepped-up efforts to sell shippers on using Greyhound's round-the-clock, seven-day-a-week service.

One of our oldest subsidiaries, Greyhound Van Lines, formed a new division in 1967. It is responsible for shipment of high-value products—tabulating machines, computers, sophisticated "space hardware" and other commercial products requiring specialized equipment and handling.

This household goods moving and storage subsidiary became a 49-state carrier. It is able to serve Alaska, and has an agreement to buy household-moving companies in the provinces of Ontario and Quebec, which will enable us to begin moving operations in Canada.

Number One to Expo

Another subsidiary that enjoyed its best year ever in 1967 was Greyhound Highway Tours. Its housing bureau arranged hotel accommodations for 70,000 travelers to Montreal's Expo 67.

More persons visited Montreal on Greyhound independent and escorted tours than via any other tour operator.

Travel destinations of the year will be the 1968 version of Expo at Montreal, plus HemisFair '68 at San Antonio, Texas,

where we have thousands of first-class hotel and motel rooms under contract.

Charters—for homeward-bound servicemen, Job Corps personnel, college students and skiers, for example—continued to bring in substantial business. Revenues totaled $26,733,136, 18.9 per cent greater than in 1966, when they were $22,482,125.

To appeal to business and other travelers desiring deluxe bus service, executive coach and VIP operations were expanded to include nonstop runs between Vancouver and Portland, Oregon; New York City and Providence, Rhode Island, and, in Canada, between Calgary and Edmonton.

Among various customer-pleasing features tested in 1967 were carpeted buses with stereophonic music and other features, broadened acceptance of credit cards, plus introduction of "talking windows." The last is an electronic device providing passengers with interesting commentary on scenic and historic points of interest en route.

Several terminals and package express facilities were built during the year and many others were remodeled, continuing a long-standing program of upgrading customer-service centers. Your company opened its biggest transportation center—at Los Angeles—as well as a modern new terminal at Kansas City.

In our U.S. and Canadian intercity bus operations, miles traveled by passengers declined 1.8 per cent—to 10.5 billion from 10.7 billion a year earlier. Bus-miles operated rose to a record level in 1967—to 542 million, a 1.3 per cent increase over 1966's 535.1 million. Our buses went 7.3 per cent further between road failures, and miles per gallon of diesel fuel increased 1.3 per cent.

Safety Record Outstanding

Your company's bus safety record enabled it to continue to lead all other modes of travel. Over the years, travel by Greyhound remains 17 times safer than by private car.

More than half of our drivers have gone more than 10 years without a preventable accident.

In all parts of the country, as well as in Canada and Europe, your company's tour and sightseeing subsidiaries reported outstanding years. This substantiates our strong confidence in the future of pleasure travel, tour and sightseeing by bus.

Companies acquired in this area—described more fully on Page 36—include Red Top Sedan Service, Inc., Atlanta Airport Transportation, Inc., Yellow Rent-a-Car, Inc., and Wylly's Sportsman, Inc.


HORNE'S

Greyhound Serves $1^1/_2$ Million Meals a Day

Your company has five food-service firms, all coordinated by Greyhound Food Management, which acts as their management and service umbrella.

The firms are:

Horne's Enterprises, Inc. . . . 1,166 employees . . . 70 locations in 15 states, plus Ontario, Canada . . . one-stop-service restaurants (food, candy, souvenirs and gasoline for cars) plus 13 franchised motels

Post Houses, Inc. . . . 3,124 employees . . . 119 locations in 36 states . . . primarily restaurants in bus terminals, but also (through "I-Highway" restaurants) along the Federal Interstate Highway System

Prophet Foods Co . . . 6,067 employees . . . 330 locations in 31 states (including 10,100 vending machines) . . . Among its clients are many of the nation's leading industrial and commercial firms

Miami Cafeteria, Inc . . . 415 employees . . . 17 locations in Florida and Georgia . . . operates Polly Davis Cafeterias and Little Davis Take Home Food Centers, also provides office-feeding service in major Florida cities

Restaura, S. A. . . . 100 employees . . . eight in-plant feeding operations in Belgium . . . Clients include such firms as Caterpillar Tractor, Esso Chemical and Supreme Headquarters Allied Powers Europe (SHAPE)

Your company, one of the world's largest food-service firms, operates at nearly 550 locations in 45 states, the Canadian province of Ontario and in Belgium.

Food-service sales in 1967 were a record $120,875,851, up from $115,781,538. This is a 4.4 per cent increase. Profits declined 27.3 per cent to $2,609,920 from $3,588,222 in 1966.

Lower profits in contract feeding—our largest food-service area—were a result primarily of strikes in the automotive and rubber industries, both of which are served to a large extent by Prophet Foods Co. But with anticipated labor settlements in the major industries served by Prophet, it is expected that the ratio of earnings to sales will return to prior years' levels.

Fifty-one new food units were opened in 1967 and many existing operations were remodeled. Profitability studies led to closing of 44 units.

New Areas for Horne's

Horne's Enterprises opened its first Western restaurant—at Barstow, California. It also introduced two entirely new services in 1967:

- A special restaurant aimed at both the traveling public and truckers, opened at New Buffalo, Michigan.
- A new fast-food facility, a "Hornette," unveiled at Atlanta, Georgia. Hornettes are designed to provide fried chicken, hamburgers, sandwiches and the like for on-premises consumption or carry-out service.

Seven new Horne's restaurants and six franchised motor lodges were added to the chain of yellow-roofed units.

Post Houses, your company's original food-service firm, opened major restaurants in 1967 in bus terminals at Los Angeles and Kansas City. It also opened red-roofed "I-Highway" restaurants (along the Federal Interstate Highway System) at Cambridge, Ohio, and Sikeston, Missouri.

New Name for Prophet

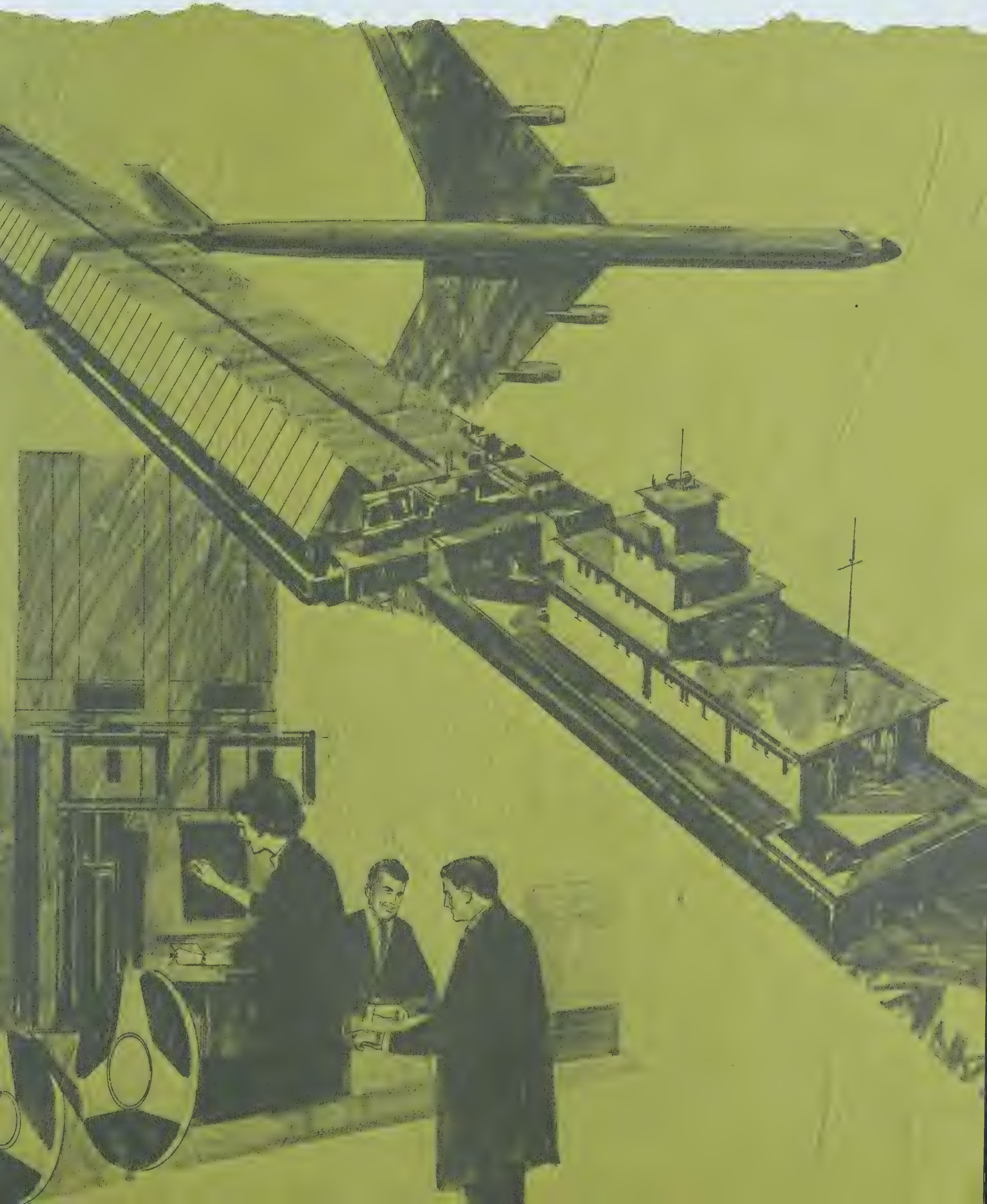
To provide better identification, "Prophet Foods Co." was adopted in 1967 as this subsidiary's new name. Business was increased in three major markets—route vending, hospital health care and educational accounts such as colleges and universities. Prophet remains one of the nation's largest commercial caterers.

Our Belgium-based commercial food-service company, Restaura, widened its range of services, operations and clients. Greyhound owns 50 per cent of this company.

Its number of in-plant feeding operations rose from one, employing nine persons, to eight with more than 100 persons—a trend expected to continue in 1968.

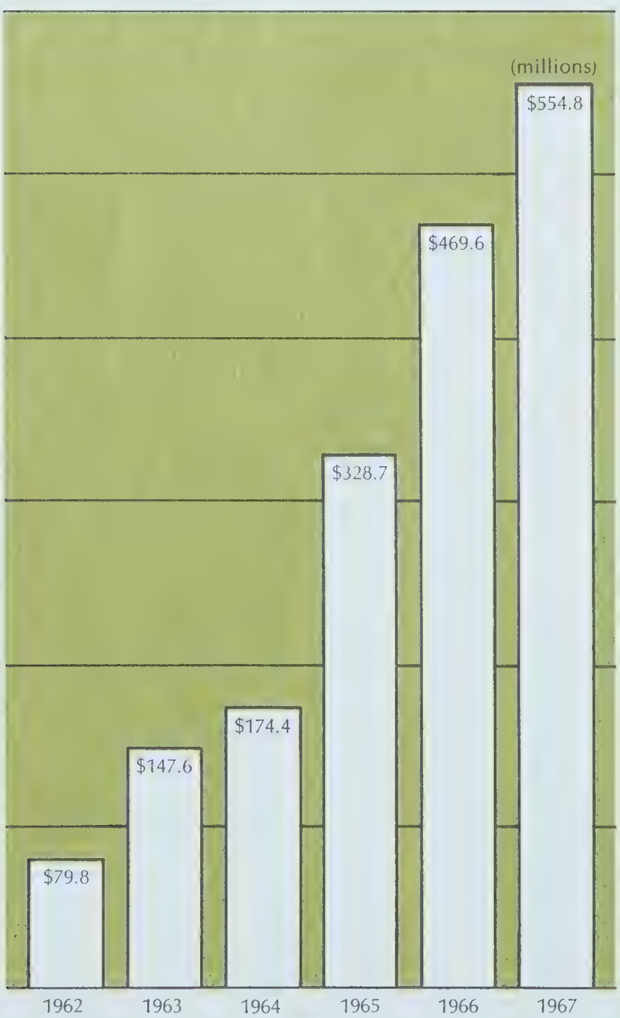
This is a joint venture with Au Bon Marche, a large merchandising firm in Belgium and France. Consideration is being given to establishment of restaurants and motels in the common market countries.

financial



VALUE OF EQUIPMENT ON LEASE

(1962-7)



Four subsidiaries make up this fast-growing section. All of them had record years in 1967.

- Greyhound Leasing & Financial Corporation earnings increased 22.7 per cent to $7,629,850, up from $6,216,415 in 1966.
- GC Computer Corporation, 78 per cent owned by Greyhound Leasing, earned $4,098,632 on gross rental income of $24,431,821, up 42.3 per cent over 1966 profits of $2,881,236 on total 1966 revenues of $17,439,683. Included in the foregoing Greyhound Leasing earnings figure is its share of GC Computer profits.
- General Fire and Casualty Company netted $1,161,320 after taxes, up 10.3 per cent over 1966. This compares with $1,052,664 earned a year earlier.
- Travelers Express Company, Inc., net income was up 29.6 per cent to $965,441 on money order fees of $6,997,786. The year-earlier figures were $744,952 in profits on $6,518,135 in fees.

Leasing Demand Strong

Through its leasing companies, Greyhound owns such varied items as computers, jet aircraft, railroad cars and locomotives, machine tools such as lathes, milling machines and presses, plus "piggy-back" trailers.

Greyhound Leasing sought no new long-term financing during the year. Equipment purchases were financed with bank lines and funds generated in the business.

Leasing operations in western Europe and Canada were expanded. Additional capital was invested in your company's European leasing subsidiary, Greyhound Financial & Leasing Corporation, AG. Half of the new funds were contributed by Greyhound and half by European merchant banks and foreign subsidiaries of U.S. banks. Their expertise in foreign business affairs is contributing significantly to our success overseas.

Competition Increases

Profits of GC Computer (which completed its first full year of operation in 1967) rose despite increasing competition by newly formed computer-leasing companies.

Most of its computers are System/360, IBM's newest third-generation computer.

GC is the largest nonmanufacturing owner of computers. The year ahead will see the subsidiary actively investigate various diversification opportunities in computer-associated fields.

New Insurance Coverages Offered

In addition to the 50 states, the District of Columbia and eight provinces of Canada, General Fire and Casualty Company now is licensed to offer travel-accident insurance in the Bahamas.

This insurance subsidiary, acquired in 1964, introduced several innovations in 1967:

- An "instant travel insurance" program, offering a centralized policy-writing feature, to operators of tour bureaus.
- New air-fare protection and refund insurance for persons booking space on charter or group flights—offered through travel agents.
- A first-of-a-kind travel-accident policy for families who are moving—introduced through our Greyhound Van Lines subsidiary.

Greyhound's insurance subsidiary again produced a profit not only on investment of funds but on the insurance it wrote.

Best Year for Money Orders

Travelers Express Company marked its second full year as a Greyhound subsidiary by establishing records in every important category:

- It sold money orders in all 48 continental states worth more than $1 billion. Value of money orders sold in 1966 was $912 million.
- Number of Travelers agents (most of them retail merchants) rose to more than 15,200, up from 14,800 in 1966.
- Number of money orders issued was 39.7 million, compared to 37.1 million in 1966.

Travelers, the nation's second-largest private money-order firm, installed its service in more than 500 additional supermarkets in 1967.

ansas

This was the challenge given the nation's school children: Put into words the indescribable scenic beauty of this great country—"Amazing America."

The results poured in from every state. Ten entries were singled out for prizes of U.S. Savings Bonds.

Here, on these pages, are parts of some of the winning entries . . . counterpoint to the memorable photographs that follow.

The U.S.A.—truly, Amazing America!

ont

Wyoming

. . . sitting supreme, resolute,
omnipotent in its glory,
wearing a gauze-like shawl of clouds,
and a crown of pure white snow . . .

Red is the sun
Glorious and grand
As it sinks beneath the horizon
Far beyond our land
It bathes the earth and sky
With its dimming rays
And, as all America,
It rests for coming days.

California

nia

Oregon

Montana

New York City

. . . as statue bold appears,
a lifted torch,
a golden door
in midst of
misty bay,
true hostess
to the wretched,
true comfort
to the poor.

Tennessee

Red, White, and Blue
Are the colors at hand
For these symbolize
Our glorious land

Winners of "Amazing America" Contest

1st STEPHEN C. COLGAN
8th grade, St. Michael's School, Flushing, N.Y.

2nd REBECCA SUE KLINGER
11th grade, Westbury High School, Houston, Tex.

3rd PATSY DIANE ZEHNER
8th grade, Knightstown High School, Shirley, Ind.

COLETTE YVONNE MARCOUX
5th grade, Robinwood, Ocean View School District, Huntington Beach, Calif.

WILLIAM ZEWAN
12th grade, Mountain View High School, Nicholson, Pa.

LORETTA ANNE HANUSCHAK
9th grade, Cardinal Mooney High School, Youngstown, Ohio

SHERI COOPER
12th grade, Rio Americano High School, Sacramento, Calif.

RICKY ALLEC
4th grade, Pacific Drive School, Fullerton, Calif.

RAMONA KATHLEEN JOLLY
11th grade, Seymour Senior High School, Seymour, Ind.

PAM TINDLE
11th grade, Furr High School, Houston, Tex.

. . . and I can hear God say,
"I built a good world after all."

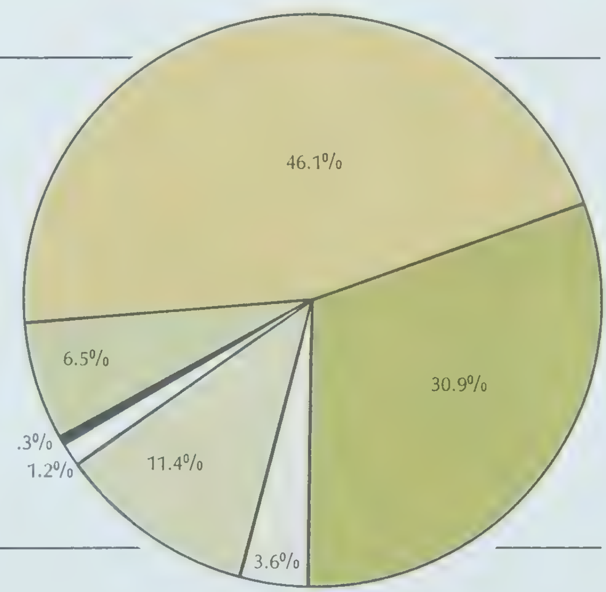
HIGHLIGHTS OF TEN YEARS

	REVENUES				PROFITS			COMMON DIVIDENDS		
	Transportation (2)	Food (2)	Financial (2)	Total	Total Dollars	Per Common Share (1)	Preferred Dividends	Cash	Paid Per Share (1)	Stock (%)
1967	$441.6	$120.9	$20.4	$582.9	$45.4	$1.44	$ .4	$31.2	$ .975	
1966	413.8	115.8	19.5	549.1	46.9	1.48	.5	28.0	.90	
1965	394.2	105.1	17.3	516.6	43.5	1.38	.5	27.2	.85	
1964	370.1	95.0	5.7	470.8	38.8	1.22	.6	22.1	.685	
1963	353.8	82.9	4.9	441.6	34.3	1.09	.8	18.7	.611	5
1962	337.5	73.4	4.6	415.5	30.2	.96	1.3	14.7	.38	5
1961	312.7	59.2	3.8	375.7	23.6	.75	1.4	13.9	.49	
1960	304.5	56.2	3.1	363.8	22.7	.72	1.5	11.9	.425	10
1959	299.5	23.8	—	323.3	21.4	.75	.4	11.3	.405	5
1958	283.8	22.0	—	305.8	14.0	.49	.5	10.8	.395	

(1) Adjusted for stock dividends and 1964 2-for-1 stock split
(2) Include acquired companies since 1960 under pooling principle
Dollar data (except per share) in millions

SUMMARY OF 1967 OPERATIONS

	1967	% of Receipts
WE RECEIVED		
From: Revenues from Operations	$574,055,740	98.5
Dividends and Interest	8,819,649	1.5
Total Receipts	$582,875,389	100.0
WE PAID OUT OR PROVIDED		
For: Employee Wages and Benefits	$268,711,785	46.1
Other Operating Expenses	180,391,225	30.9
Depreciation	21,027,370	3.6
Federal, State and Local Taxes	66,505,876	11.4
Interest	6,795,646	1.2
Minority in Subsidiaries	1,624,250	.3
Total Costs	$545,056,152	93.5
WE HAD LEFT		
Net Income from Consolidated Companies	$ 37,819,237	6.5
Net Income from Leasing Operations	7,629,850	
	$ 45,449,087	
WHICH WAS USED		
For: Dividends to Stockholders	$ 31,630,391	
Continuing needs of the business	13,818,696	
	$ 45,449,087	



Statement of Consolidated Financial Condition

ASSETS	December 31 1967	December 31 1966
CURRENT ASSETS:		
Cash	$ 27,909,839	$ 24,797,626
Marketable securities—at cost (approximates market)	20,178,898	28,973,503
Net advances—Greyhound Leasing & Financial Corporation	29,142,692	34,875,078
Receivables	28,531,535	34,977,092
Repair parts and other inventories	16,088,991	13,264,583
Prepaid expenses	6,263,530	4,764,041
	$128,115,485	$141,651,923
BONDS, at cost, segregated for insurance reserves	21,908,656	21,391,524
PROPERTY AND EQUIPMENT—at cost:		
Buses	$225,762,574	$214,406,681
Less depreciation	128,242,554	124,415,557
	$ 97,520,020	$ 89,991,124
Land	$ 38,807,314	$ 37,349,070
Buildings and leasehold improvements	123,518,796	110,482,885
Other equipment	52,023,397	42,978,038
	$214,349,507	$190,809,993
Less depreciation	65,063,196	60,257,323
	$149,286,311	$130,552,670
	$246,806,331	$220,543,794
INVESTMENTS AND ADVANCES:		
Greyhound Leasing & Financial Corporation, at underlying equity (includes subordinated notes of $20,000,000)	$ 53,880,351	$ 46,760,818
Other investments and advances	13,721,618	10,190,404
	$ 67,601,969	$ 56,951,222
INTANGIBLES	5,854,403	5,610,577
	$470,286,844	$446,149,040

See notes to financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31 1967	1966
CURRENT LIABILITIES:		
Short-term notes payable	$ 29,273,000	$ 21,685,158
Accounts payable and accrued expenses	38,100,304	37,213,607
Salaries and wages	14,465,092	14,442,227
Dividends	7,944,533	7,117,843
Federal income and other taxes	7,710,453	11,231,601
Unearned insurance premiums	4,149,109	4,950,012
Portion of long-term obligations due within one year	3,796,313	2,743,386
	$105,438,804	$ 99,383,834
LONG-TERM OBLIGATIONS, less amounts due within one year, included above (Note B):		
$4\frac{3}{4}\%$ Notes, Series A and B—due in annual installments to 1975	$ 9,077,000	$ 10,457,000
$4\frac{5}{8}\%$ Notes—due in annual installments 1970 to 1984	35,000,000	35,000,000
Real estate mortgages and other obligations	29,410,823	28,971,168
	$ 73,487,823	$ 74,428,168
RESERVES AND DEFERRED ITEMS:		
Insurance reserves	$ 21,908,656	$ 21,391,524
Deferred federal income taxes	11,785,810	9,890,743
Minority interests in subsidiaries	6,532,894	5,629,350
	$ 40,227,360	$ 36,911,617
STOCKHOLDERS' EQUITY:		
Capital stock (Note D):		
Cumulative preference, convertible, $4\frac{1}{2}\%$, par value $50 per share, authorized 13,751 shares (2,296 shares converted and not reissuable), issued and outstanding 11,455 shares (1967)	$ 572,750	$ 687,550
Second cumulative preference, convertible, 3%, par value $100 per share, authorized 135,754 shares (43,144 shares converted and not reissuable), issued and outstanding 92,610 shares (1967)	9,261,000	13,575,400
Common, par value $1.50 per share, authorized 36,000,000 shares, issued 31,585,128 shares (1967)	47,377,692	47,238,922
	$ 57,211,442	$ 61,501,872
Capital surplus	70,515,561	64,320,671
Retained income (Note B)	123,608,921	109,923,978
	$251,335,924	$235,746,521
Less 135,378 shares of common stock in treasury (1967), at par	203,067	321,100
	$251,132,857	$235,425,421
	$470,286,844	$446,149,040

See notes to financial statements.

Consolidated Income

	Year ended December 31 1967	1966
REVENUES:		
Operations	$574,055,740	$542,068,622
Interest from Greyhound Leasing	6,110,626	4,851,445
Dividends and other interest	2,709,023	2,201,197
	$582,875,389	$549,121,264
EXPENSES AND MINORITY INTERESTS:		
Operating costs and expenses	$484,928,886	$447,564,798
Depreciation	21,027,370	21,823,976
Interest	6,795,646	4,948,178
Net income applicable to minority interests	1,624,250	1,240,732
	$514,376,152	$475,577,684
INCOME BEFORE INCOME TAXES	$ 68,499,237	$ 73,543,580
PROVISION FOR INCOME TAXES	30,680,000	32,899,000
NET INCOME OF THE CORPORATION AND CONSOLIDATED SUBSIDIARIES	$ 37,819,237	$ 40,644,580
NET INCOME OF GREYHOUND LEASING & FINANCIAL CORPORATION AND SUBSIDIARIES	7,629,850	6,216,415
NET INCOME	$ 45,449,087	$ 46,860,995
Net income per share of common stock	$1.44	$1.48

See notes to financial statements.

Consolidated Retained Income

	Year ended December 31 1967	1966
BALANCE, January 1:		
As previously reported to stockholders	$109,287,657	$ 91,037,769
Retained income of acquired companies included herein on a pooling of interests basis	642,569	498,508
As revised	$109,930,226	$ 91,536,277
NET INCOME FOR THE YEAR	45,449,087	46,860,995
	$155,379,313	$138,397,272
DEDUCT:		
Dividend appropriations:		
4½% Preference stock—$2.25 per share	$ 27,847	$ 39,916
3% Second Preference stock—$3.00 per share	327,427	419,825
Common stock—$1.00 per share (1967); $.90 per share (1966)	31,275,117	28,013,553
Decrease arising from issuance of common stock of GC Computer Corporation on conversion of debentures	140,001	
	$ 31,770,392	$ 28,473,294
BALANCE, December 31	$123,608,921	$109,923,978

Consolidated Capital Surplus

	1967	1966
BALANCE, January 1:		
As previously reported to stockholders	$ 64,408,678	$ 57,458,020
Adjustment arising on acquisition of companies included herein on a pooling of interests basis	(88,007)	(88,007)
As revised	$ 64,320,671	$ 57,370,013
INCREASE (DECREASE) ARISING FROM:		
Issuance of common stock by GC Computer Corporation:		
Public offering		6,660,722
Conversion of debentures	2,129,847	
Excess of proceeds over par value of common stock issued upon:		
Conversion of preference stocks	4,199,940	1,220,958
Exercise of stock options	558,038	187,742
Excess of cost over par value of common shares acquired for treasury	(692,935)	(1,118,764)
BALANCE, December 31	$ 70,515,561	$ 64,320,671

See notes to financial statements.

Consolidated Source and Use of Funds

Year ended December 31, 1967

SOURCE OF FUNDS:	
From operations:	
Net income of the Corporation and consolidated subsidiaries	$ 37,819,237
Dividend received from Greyhound Leasing	2,500,163
Minority interest portion of net income	1,624,250
Depreciation—not requiring use of funds:	
Buses	13,565,499
Other property and equipment	7,461,871
TOTAL FROM OPERATIONS	$ 62,971,020
Sales of short-term notes—net	7,587,842
Property financing	3,326,210
Exercise of stock options	638,837
Disposals of property and equipment	10,796,221
Decrease in receivables	6,445,557
Decrease in net advances—Greyhound Leasing	5,732,386
Increase in deferred federal income taxes	1,895,067
	$ 99,393,140
USE OF FUNDS:	
Expenditures for property and equipment:	
Buses	$ 26,361,346
Other property and equipment	31,724,782
	$ 58,086,128
Dividends	31,630,391
Payment of long-term obligations	3,213,628
Purchase of treasury stock	735,122
Increase in other investments and advances	3,531,214
Decrease in federal income and other taxes	3,521,148
Increase in repair parts and other inventories	2,824,408
Other items—net	1,533,493
	$105,075,532
DECREASE IN CASH AND MARKETABLE SECURITIES	$ 5,682,392

Auditors' Report

TO THE STOCKHOLDERS AND BOARD OF DIRECTORS
OF THE GREYHOUND CORPORATION:

We have examined the accompanying statement of consolidated financial condition of The Greyhound Corporation and consolidated subsidiaries as of December 31, 1967, and the related statements of income, retained income, capital surplus, and source and use of funds for the year then ended. We have also examined the accompanying statement of consolidated financial condition of Greyhound Leasing & Financial Corporation and subsidiaries as of December 31, 1967, and the related statements of income, retained income and capital surplus for the year then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of The Greyhound Corporation and consolidated subsidiaries at December 31, 1967, and of Greyhound Leasing & Financial Corporation and subsidiaries at December 31, 1967, and the respective results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Further, it is our opinion that the statement of consolidated source and use of funds of The Greyhound Corporation and consolidated subsidiaries presents fairly the information therein set forth.

Chicago, Illinois
February 23, 1968

TOUCHE, ROSS, BAILEY & SMART

Notes To Financial Statements

Year ended December 31, 1967

Note A—Accounting Principles

The accompanying financial statements are presented in conformity with generally accepted accounting principles; however, they differ in some respects from the reports filed with the Interstate Commerce Commission, in accordance with its prescribed uniform system of accounts. The principal differences result from the accounting for depreciation and insurance claims. The regulations of the Interstate Commerce Commission require that the amount of federal income tax payable each year be charged to income, whereas future tax effects have been recorded in the financial statements. The amount of these differences in presentation was not material in 1967.

Investment tax credits ($1,528,000 in 1967 and $1,969,000 in 1966) available as reductions of federal income taxes currently payable have been credited against the provision for income taxes.

During 1967, the Corporation acquired the outstanding capital stocks of Red Top Sedan Service, Inc., and affiliated companies in exchange for an aggregate of 161,667 shares of its previously unissued common stock. This transaction has been treated for accounting purposes as a pooling of interests. Accordingly, the financial statements for the year ended December 31, 1966, presented herein for comparative purposes, have been revised to include the acquired companies.

Note B—Long-term Obligations

Annual installments on long-term obligations will approximate $4,000,000 in 1969 and $6,000,000 during each of the following three years. Interest on real estate mortgages ranges generally from 3.6% to 6.0%, with final maturities extending to 1987. Land and buildings, $42,044,568 net, are pledged under these obligations.

The loan agreements place certain restrictions on the payment of cash dividends. Under these provisions, retained income totaling $45,747,184 at December 31, 1967, was not so restricted. Other provisions of the loan agreements include the requirement that consolidated working capital be not less than $10,000,000. At December 31, 1967, consolidated working capital, as defined in these agreements, was $12,214,780.

Note C—Commitments and Contingent Liabilities

Under the terms of a credit agreement with certain banking institutions, the Corporation has agreed among other things to cause Greyhound Leasing & Financial Corporation to maintain working capital of $1,000,000, as defined, and to lease certain equipment from it, as explained in Note D to the financial statements of Greyhound Leasing included elsewhere in this report.

The consolidated federal income tax returns of the Corporation and its subsidiaries for 1961 and 1962 have been examined by the Internal Revenue Service. Substantial additional assessments of taxes have been proposed for 1962 for Greyhound Leasing & Financial Corporation, and formally protested by the Corporation, as explained in Note E to the financial statements of Greyhound Leasing.

In January, 1968, the Corporation acquired the outstanding stock of Aircraft Services International, Inc. and a majority interest in the outstanding stock of Texas, New Mexico and Oklahoma Coaches, Inc., in exchange for a total of 249,871 shares of common stock. These transactions have not been recorded in the accompanying financial statements for 1967.

Note D—Common Stock and Options

Changes in the Corporation's stock option plans during the year are set forth in the following tabulation:

	Number of common shares Reserved	Granted
Balance, January 1, 1967	721,375	718,908
Additional shares reserved	1,052,408	
Granted in 1967		211,000
Exercised, at an aggregate price of $638,837	(53,866)	(53,866)
Cancellations	(27,056)	(73,306)
Balance, December 31, 1967.....	1,692,861	802,736
Options exercisable at December 31, 1967		182,802

On May 16, 1967, stockholders approved reserving 1,052,408 additional shares under Part II of the 1957 Incentive Stock Option Plan, increasing the number of shares which may be optioned under Part II to 1,500,000.

The options outstanding at December 31, 1967, were granted at prices ranging from $7.36 to $27.50 per share, representing the market price on the respective dates of grant, adjusted for subsequent stock dividends and stock split. Options for 202,736 common shares may be exercised in eight annual installments beginning two years after the date of grant. Options for 600,000 common shares may be exercised in four annual installments beginning one year after the date of grant.

The outstanding shares of 4½% cumulative preference stock and 3% second cumulative preference stock are convertible into a maximum of 350,798 shares of common stock.

Note E—Retirement Plans

The Corporation has retirement and disability plans for the majority of its employees. During the year, certain of these plans became noncontributory. The plans generally provide for the funding of benefits, including past services, under group annuity contracts and trusts. Several union agreements provide for fixed dollar contributions to pension plans. The contributions will fund the benefits, including past services, over periods ranging from 20 to 40 years. The contributions and the charges to income totaled $16,000,000 in 1967 and $11,400,000 in 1966.

Note F—Litigation

The Corporation is named as defendant in G C Computer Corporation stockholder actions. The Corporation is also a plaintiff in a suit filed against D. P. Boothe, Jr., former Director of the Corporation, and is named as a defendant in a counterclaim by Boothe. These matters are described herein in Note F to the financial statements of Greyhound Leasing & Financial Corporation.

Statement of Consolidated Financial Condition

ASSETS	December 31 1967	1966
CASH AND SHORT-TERM INVESTMENTS (Note D)	$ 25,830,089	$ 20,892,010
EQUIPMENT LEASES AND OTHER CONTRACTS RECEIVABLE, due in installments to 1981 ($55,843,000 (1967), $52,907,574 (1966), due within one year) (Notes A and D)	$266,219,552	$286,685,718
Less:		
Unearned income	63,452,595	75,133,370
Allowance for possible losses	2,928,774	2,900,848
	$199,838,183	$208,651,500
EQUIPMENT AND OTHER PROPERTY (Notes B, C and D):		
On rental:		
Equipment (except computers) and other property, net:		
Payout leases	$ 40,664,191	$ 36,657,097
Partial payout leases	109,374,392	88,748,841
	$150,038,583	$125,405,938
Computer equipment, net	86,652,559	51,051,099
Rental contracts in process, at cost	1,536,575	3,278,505
	$238,227,717	$179,735,542
INVESTMENT—50%-owned company, at underlying equity	3,913,410	1,860,039
OTHER ASSETS AND DEFERRED CHARGES	2,237,337	3,304,449
	$470,046,736	$414,443,540

See notes to financial statements.

LIABILITIES AND STOCKHOLDER'S EQUITY	December 31 1967	1966
SHORT-TERM LIABILITIES:		
Accounts payable and accruals	$ 5,244,092	$ 3,487,448
Accounts payable—equipment	1,692,965	4,910,440
Notes payable	7,754,138	108,009,800
Net advances, The Greyhound Corporation	29,142,692	34,875,078
Portion of long-term obligations due within one year	11,574,404	10,730,896
	$ 55,408,291	$162,013,662
LONG-TERM OBLIGATIONS, less portion due within one year included above (Note D):		
Senior debt	$249,894,550	$107,459,638
Subordinated debt	66,791,700	66,250,000
	$316,686,250	$173,709,638
DEFERRED ITEMS (Notes A and E):		
Rental income	$ 2,310,282	$ 3,417,967
Lease rental deposits	4,902,100	4,478,062
Investment tax credit	18,970,393	17,544,236
Federal income taxes	33,185,176	23,709,942
	$ 59,367,951	$ 49,150,207
MINORITY INTEREST IN G C COMPUTER CORPORATION	4,703,893	2,809,215
STOCKHOLDER'S EQUITY:		
Common stock, no par value; authorized 750,000 shares; issued and outstanding 367,671 shares	$ 3,806,307	$ 3,806,307
Capital surplus	8,790,569	6,660,722
Retained income (Note D)	21,283,475	16,293,789
	$ 33,880,351	$ 26,760,818
	$470,046,736	$414,443,540

See notes to financial statements.

Consolidated Income

	Year ended December 31 1967	Year ended December 31 1966
INCOME (Note A):		
Earned income from leases and interest	$ 33,150,028	$ 28,317,538
Investment tax credit	3,746,909	3,358,317
	$ 36,896,937	$ 31,675,855
COSTS AND EXPENSES:		
Interest:		
The Greyhound Corporation	$ 6,110,626	$ 4,851,445
Other	14,368,679	13,382,017
	$ 20,479,305	$ 18,233,462
General and administrative	4,148,730	4,185,785
Net income applicable to minority interest in G C Computer Corporation	601,052	205,982
	$ 25,229,087	$ 22,625,229
INCOME BEFORE FEDERAL INCOME TAXES	$ 11,667,850	$ 9,050,626
FEDERAL INCOME TAXES:		
Current	$ 1,554,000	$ 1,013,000
Deferred	2,484,000	1,821,211
	$ 4,038,000	$ 2,834,211
NET INCOME	$ 7,629,850	$ 6,216,415

Consolidated Retained Income

	1967	1966
BALANCE, January 1	$ 16,293,789	$ 10,077,374
NET INCOME	7,629,850	6,216,415
DIVIDEND on common stock	(2,500,163)	
DECREASE arising from issuance of common stock of G C Computer Corporation on conversion of debentures	(140,001)	
BALANCE, December 31 (Note D)	$ 21,283,475	$ 16,293,789

Consolidated Capital Surplus

	1967	1966
BALANCE, January 1	$ 6,660,722	$ —
INCREASE arising from issuance of common stock of G C Computer Corporation:		
Public offering, August 17, 1966		6,660,722
Conversion of debentures	2,129,847	
BALANCE, December 31	$ 8,790,569	$ 6,660,722

See notes to financial statements.

Notes To Financial Statements

Year ended December 31, 1967

Note A—Accounting Principles

The Corporation accounts for all its leases except computer equipment leases as follows—rentals receivable and unearned income (representing the difference between rentals receivable and the sum of the cost of related equipment and other property on rental, commissions, and direct expenses, less net carrying amount at end of lease terms) are recorded when lease contracts become effective. The unearned income is generally taken into earnings on a declining basis over the life of the related lease. General and administrative expenses incident to consummating and recording leases are charged to expense when incurred. No part of rental income to offset these expenses is taken into earnings at the time the leases are recorded.

Computer rentals, including overtime rentals, are recorded as income when billed under lease contracts except for certain leases where rental amounts decrease significantly over optional renewal periods. For such leases, revenue is deferred in the earlier periods of the lease to cover the difference between renewal rental amounts and direct costs. Income from computer leases is stated net of depreciation ($11,027,348 in 1967 and $7,714,254 in 1966) and other direct costs ($2,345,937 in 1967 and $2,353,754 in 1966).

For federal income tax purposes, lease rentals, amortization and depreciation of rental equipment and other property costs, and certain other items are reported on bases which differ from the financial reporting bases. Provision has been made for deferred federal income taxes relating to the difference between income reported for tax purposes and that reported herein.

The investment tax credit on rental equipment (except computers) is deferred and amortized by credits to income over the original terms of the leases or eight years, whichever is longer. The investment tax credit recorded prior to 1965 is being amortized on a straight-line basis, while the credit recorded thereafter is being amortized on a declining basis corresponding to the method of reflecting income from leases. The investment tax credit on computer equipment is deferred and amortized by credits to income on a straight-line basis over eight years.

Note B—Equipment and Other Property on Rental

Equipment (except computers) and other property on rental stated at cost, less amortization over lease terms, are covered by lease contracts of two basic types:

	Cost	Net at end of lease term
Payout leases	$281,420,055	$ 40,664,191
Partial payout leases, principally aircraft	145,640,353	109,374,392
	$427,060,408	$150,038,583

On payout leases, the Corporation receives as rent an amount equal to or greater than the equipment cost over the initial lease term. On partial payout leases, rents received in the initial lease term are less than equipment cost. The unamortized cost under each type of lease contract represents the cost of the equipment reduced by estimated amortization applicable to the lease term.

Computer rental equipment is stated at cost less depreciation ($31,774,635) and allowance for possible losses ($9,308,953) on IBM Series 1400 and 7000 computer equipment as set forth below:

Type of equipment	Cost	Net
IBM System/360	$ 75,647,512	$70,349,550
IBM Series 1400 and 7000	46,666,621	14,429,537
Other computer equipment	5,422,014	1,873,472
	$127,736,147	$86,652,559

Depreciation has been computed on a straight-line basis with lives of ten years or to December 31, 1976, whichever is shorter, for IBM System/360 equipment, and three to eight years for other equipment, without providing for residual value. Most computer leases, by dollar volume, are for initial terms of one to three years, and lease payments over the initial term are less than the Corporation's investment in the related computer equipment.

In the opinion of management, existing leases will be renewed at the end of present lease periods, or the related assets will be sold or re-leased at amounts sufficient to recover the remaining carrying amounts.

Note C—Contract Termination Settlement

The litigation relating to the termination by the Corporation's subsidiary, G C Computer Corporation (in 1966) of the Agency Agreement with Levin-Townsend Computer Corporation and the cancellation of the Commission Agreement with Levin, Townsend & Co., was settled by agreement of the parties on April 4, 1967.

Pursuant to the settlement agreement, G C Computer Corporation sold its investment in Levin-Townsend Computer Corporation realizing $9,413,046 after recovery of cost and provision for related capital gains tax, and incurred contract termination expenses of $4,463,855 net of federal income taxes. The balance, $4,949,191 net of future federal income tax benefits, has been provided as an allowance for possible losses on IBM Series 1400 and 7000 computer equipment under short-term leases at the date of termination of the Agency Agreement.

Note D—Long-Term Obligations

	December 31 1967	1966
Senior debt:		
Limited recourse installment notes, 4½% to 6¾%, due to 1981	$ 78,284,000	$ 86,352,899
Loans payable to banks, 6% to 6½%	144,696,752	
Other senior notes, principally 6%, due to 1981	38,488,202	31,837,635
	$261,468,954	$118,190,534
Less portion due within one year	11,574,404	10,730,896
	$249,894,550	$107,459,638
Subordinated debt:		
Convertible subordinated debentures, 6%, due 1986	$ 21,541,700	$ 25,000,000
Senior subordinated notes, 6½%, due 1981	23,250,000	19,250,000
Senior subordinated notes, 6%, due 1969	2,000,000	2,000,000
The Greyhound Corporation—capital notes, 6½%, due 1981	20,000,000	20,000,000
	$ 66,791,700	$ 66,250,000
	$316,686,250	$173,709,638

Lease contracts receivable aggregating $110,356,730 and the related equipment and property with net carrying amounts of $21,189,837 and short-term investments of $7,000,000 have been assigned or pledged as collateral at December 31, 1967, to the limited recourse installment notes, and the majority of other senior notes. On the limited recourse installment notes, the lenders have no recourse other than to the assigned and pledged assets aggregating $124,099,307.

Loans payable to banks are borrowed from participating banks under revolving credit agreements of the Corporation and its subsidiaries aggregating $236,500,000, with interest at prime bank rate to 1/2% over prime bank rate. So long as the Corporation maintains the required borrowing bases, payments on principal are not due; accordingly, no portion of the loans was classified current at December 31, 1967. However, if loans with any or all participating banks are not renewed at their annual renewal dates, repayment to the extent of their participation is required over three to five year periods. Under terms of its agreements, the Corporation is required to maintain, and The Greyhound Corporation has agreed to cause the Corporation to maintain $1,000,000 of working capital. At December 31, 1967, working capital of the Corporation as defined in the agreement was $5,412,333. The agreements also require the maintenance of certain borrowing ratios. To meet these requirements, The Greyhound Corporation has agreed to lease certain equipment for aggregate rentals of $35,900,000 from the Corporation if present partial payout leases are not renewed or the equipment is not leased or sold to others. The Greyhound Corporation has not leased any such equipment at December 31, 1967.

The 6% convertible subordinated debentures are convertible into common stock of G C Computer Corporation at $23 per share. During 1967, $3,458,300 of debentures were converted reducing the Corporation's ownership of G C to 83.1% at December 31, 1967. If all of the debentures outstanding at December 31, 1967 were converted into G C common stock, the Corporation's ownership of G C would be reduced to 66.8%; its equity in the net assets of G C at December 31, 1967, would increase approximately $9,400,000; and its equity in net income for the year ended December 31, 1967 would decrease approximately $250,000.

Aggregate installments on the above long-term obligations due in the next five years, other than amounts which could become payable under the bank credit agreements, are as follows:

Year	Amount
1968	$11,574,404
1969	12,444,868
1970	10,169,905
1971	10,607,089
1972	10,530,116

The agreements pertaining to long-term obligations contain various restrictive covenants and require the maintenance of certain defined financial ratios in addition to those mentioned above under the revolving credit agreements. At December 31, 1967, retained income of $6,423,176 was unrestricted as to the payment of dividends under the most restrictive provisions of the agreements.

Note E—Federal Income Taxes

The Corporation and its domestic subsidiaries have been included in consolidated federal income tax returns filed by the Corporation's parent, The Greyhound Corporation, for periods subsequent to March 31, 1962. The Corporation's domestic subsidiaries may be included in the consolidated return during periods when the Corporation owns 80% or more of their outstanding common stock. On February 5, 1968, the Corporation's ownership of G C Computer Corporation was reduced to below 80% as a result of conversions of G C's 6% convertible subordinated debentures.

The examination of the 1962 consolidated return has been completed by the Internal Revenue Service. The Examining Agent has proposed substantial additional taxes for the Corporation, principally relating to investment tax credits claimed in that year. A formal protest to the proposed adjustments has been submitted to the Internal Revenue Service. The examination of the 1963, 1964 and 1965 returns is in progress.

At the date of this report, the Corporation is unable to determine the amount of additional taxes which ultimately may be found to be due for these and later years; however, the Corporation is confident that the Examining Agent will not be sustained with respect to the complete disallowance of investment tax credit in the year 1962 and that the final determination of additional taxes due for these years, if in excess of amounts provided in the financial statements, will not have a material adverse effect upon the financial condition of the Corporation.

Note F—Litigation

The Corporation and its subsidiary, G C Computer Corporation, The Greyhound Corporation and other related persons, are defendants in three separate lawsuits pending in Federal District Court in the State of New York by alleged purchasers of units of common stock and debentures of G C offered to the public on August 17, 1966. These suits are based primarily upon alleged violations of the Securities Act of 1933 and the Securities Exchange Act of 1934 in connection with such public offering. Two of the suits are class actions and seek compensatory and punitive monetary damages in substantial amounts. Counsel who represented G C Computer in connection with the public offering have advised the Corporation that, in their opinion, these actions can be successfully defended.

The Corporation, its subsidiaries G C Computer Corporation and Boothe Leasing Corporation, and The Greyhound Corporation have filed suit against D. P. Boothe, Jr., former Director of the Corporation, and others seeking substantial damages for misconduct and seeking to prevent the use by the defendants of the name "Boothe" in the leasing business. The defendants have filed a substantial counterclaim. In the opinion of the Corporation's counsel, plaintiffs can prove damages and should be entitled to injunctive relief, and the counterclaim can be successfully defended.

YOUR COMPANY'S MANAGEMENT

Board of Directors — The Greyhound Corporation

FREDERICK W. ACKERMAN* San Francisco, California
Chairman of the Board, Executive Committee Chairman,
The Greyhound Corporation

WILLIAM R. ADAMS New York, New York
President, St. Regis Paper Company

HOWARD BOYD Houston, Texas
Chairman, El Paso Natural Gas Company

FREDERICK L. EHRMAN* New York, New York
Partner, Lehman Brothers

H. VANCE GREENSLIT Chicago, Illinois
Chairman, Greyhound Lines, Inc.

PAUL E. HOOVER San Francisco, California
Chairman, Crocker-Citizens National Bank

HENRY A. MONTAGUE Detroit, Michigan
President & Chief Executive Officer, Greyhound Food Management, Inc.

CHARLES S. MUNSON* New York, New York
Chairman, Executive Committee, Air Reduction Company, Inc.

RAYMOND F. SHAFFER Chicago, Illinois
Executive Vice President, The Greyhound Corporation
President & Chief Executive Officer, Greyhound Lines, Inc.

RANKIN M. SMITH Atlanta, Georgia
Senior Vice President, Life Insurance Company of Georgia

HANS STAUFFER New York, New York
Chairman, Executive Committee, Stauffer Chemical Company

HAROLD C. STUART Tulsa, Oklahoma
Partner, Doerner, Stuart, Moreland, Saunders & Daniel, Attorneys at Law

GERALD H. TRAUTMAN* Chicago, Illinois
President & Chief Executive Officer
The Greyhound Corporation

JAMES W. WALKER New York, New York
Vice President, Brady Security & Realty Corporation

LESLIE B. WORTHINGTON* New York, New York
Director, Executive Committee Member & Retired President
United States Steel Corporation

*Member, Executive Committee

Mr. Ackerman *Mr. Hoover*

. Trautman *Mr. Ehrman* *Mr. Boyd* *Mr. Munson*

Mr. Shaffer

Mr. Worthington

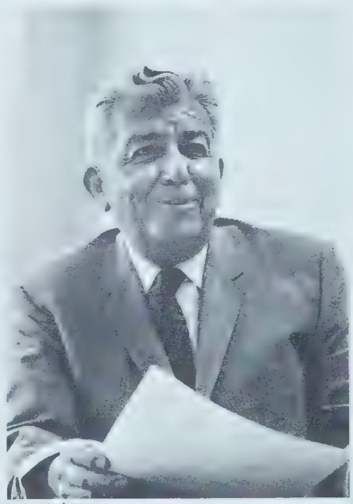
Mr. Montague Mr. Stuart

r. Greenslit Mr. Adams Mr. Smith Mr. Stauffer

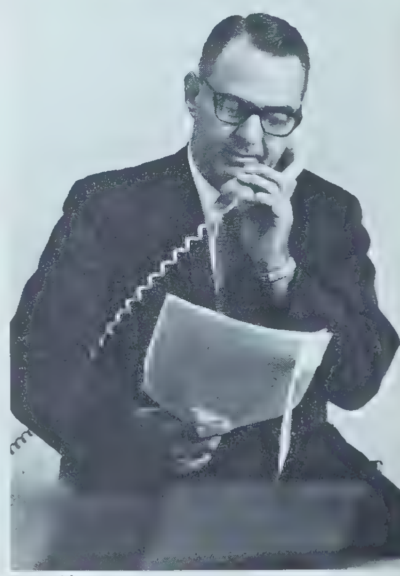
Mr. Walker

Mr. Batastini

Mr. Lowe



Mr. Thomas



Mr. Christie


Mr. Cato

Officers—The Greyhound Corporation

FREDERICK W. ACKERMAN Chairman of the Board
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RAYMOND F. SHAFFER Executive Vice President
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SID CATO Vice President–Public Relations
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JAMES E. HAWTHORNE Vice President–Marketing
ROBERT O. LOWE Vice President & Comptroller
STEPHEN F. SNYDER Vice President–Corporate Development
CHARLES M. THOMAS Vice President–Advertising
GEORGE T. CHRISTIE Secretary
JAMES A. HANLEY Treasurer


Mr. Gocke


Mr. Hawthorne


Mr. Snyder


Mr. Hanley

Other Executives—The Greyhound Corporation

CARL J. FLEPS Assistant to the President
ADAM P. SLEDZ Assistant to the President
RAYMOND H. WARNS General Attorney
FREDERICK G. EMERSON Assistant Secretary
WILLIAM H. STARLING Assistant Secretary
F. EDWARD LAKE Assistant Treasurer

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JOSEPH BLACK Vice President–Special Markets
WILLIAM E. HASTINGS Vice President–Traffic
ROBERT E. HOLLAND Vice President– Maintenance
N. L. MAINO Vice President– Transportation
V. K. STEPHENS Vice President–Sales & Service
JOSEPH G. STIEBER Vice President– Engineering
THEODORE VAN SCHELVEN Vice President–Europe

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BART COOK Vice President–Traffic
HARRY T. DOTSON Vice President & Comptroller
HARRELL E. HANEY Vice President–Maintenance
DONALD R. RITCHEY Vice President–Transportation
EARL E. SHEW Vice President–Industrial Relations & Personnel
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WILLIAM R. HATCH Vice President–Marketing
EDWIN C. NICHOLS Vice President–Industrial Relations
MICHAEL J. O'ROURKE Vice President–Traffic

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JOHN T. ALEXANDER Vice President–Operations
DENZIL A. O'DELL Vice President–Marketing
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KEENE S. BROWN Vice President–Industrial Relations
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STANLEY A. OSSMAN Vice President–Safety

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JOHN S. FREW Secretary & Comptroller
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OSWALDO PONCE Vice President & General Manager

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ROBERT J. BURWELL Vice President–Operations
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LLOYD F. MITCHELL Vice President–Sales

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DOUGAS D. CLARK Vice President–Marketing & Service
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ROBERT E. HALPIN Vice President–Operations
ROBERT E. ZIMMERMAN Comptroller

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ROBERT V. BRAY Comptroller

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THEODORE H. MAY Vice President

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CORNELIS BOTHOF Comptroller

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STANLEY L. SEGAL President
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STANLEY L. SEGAL President
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GLENN BARRON Vice President

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ROBERT I. HORNE Special Consultant
ETTINGS T. HUGHES Executive Vice President–
Motor Lodge Development Program

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VINCENT PROFITA Vice President–Central Division

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WALTER E. BUTTON Vice President–Midwestern Division
BLAND B. CASH Vice President–Southern Division
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RALPH E. SCHRAMM Vice President–Dallas Division
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J. PETER LAURSEN Vice President & Executive Director

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RICHARD L. WALTERS Executive Vice President
H. NOEL CRAWFORD Senior Vice President
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WILLIAM H. MOLLE Vice President

Greyhound Financial & Leasing Corporation, AG, Zug, Switzerland
SAUL G. MARIAS Manager

General Fire and Casualty Company, New York, New York
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HENRY GRUFFI Vice President & Attorney of Record
A. FRANK SIGNORE Vice President & Treasurer

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CLARENCE A. E. ANDERSON, JR. Vice President–Eastern Division
JOHN S. CABOT Vice President–Central Division
JERE E. DALLDORF Vice President
GEORGE W. DOUD Vice President
WILLIAM G. ENNIS Vice President–Western Division
EDWARD J. HENTGES Comptroller
DALE W. JOHNSON Vice President–National Operations
CHARLES F. MULLEN Vice President–Sales

Officers — Services

Aircraft Services International, Inc., Miami, Florida
HOWARD BELL President
IRVING RUTKIN Vice President–Finance
WILLIAM YATES Vice President–Operations

SUBSIDIARIES

TRANSPORTATION

Greyhound Lines, Inc.
largest intercity passenger-carrier, serving all 48 continental states, to Mexico and Canada

Greyhound Lines of Canada Ltd.
tour and intercity bus service in Canada; that country's largest intercity bus company

Greyhound Highway Tours, Inc.
leader in pre-planned independent and escorted tours

Greyhound Van Lines, Inc.
nationwide household moving and storage company

Motor Coach Industries Limited and Motor Coach Industries, Inc.
bus-manufacturing subsidiaries

VAVO-Greyhound N.V.
Holland-based company providing scheduled bus service (both intracity and intercity) in The Netherlands, and tours throughout Europe

Brewster Transport Company Limited
offers complete all-expenses-paid sightseeing tours in the Canadian Rockies (Banff-Lake Louise tours)

California Parlor Car Tours Company
provides deluxe, escorted motor coach tours in scenic and historic California

Gray Line, Inc.
conducts bus sightseeing tours in California's popular San Francisco area

Royal Glacier Tours
operates deluxe parlor car tour service between Vancouver and Calgary, to and through the Canadian Rockies

Washington Sightseeing Tours, Inc.
a leading sightseeing tour operator in the nation's capital

Red Top Sedan Service, Inc.
has exclusive limousine service at Miami International Airport for Dade and Broward counties, Florida

Atlanta Airport Transportation, Inc.
provides transportation between Atlanta Airport and various designated points in Georgia, including Atlanta

Wylly's Sportsman, Inc., Miami, Florida
operates charter bus service and provides bus transportation to race tracks in and around Miami Beach

Yellow Rent-a-Car, Inc.
leases cars on a weekly basis in the Miami area

FOOD

Greyhound Food Management, Inc.
provides centralized management and services, and coordinates Greyhound's food operations

Horne's Enterprises, Inc.
operates restaurants and gift shops and franchises motor lodges along the Federal Interstate Highway System

Post Houses, Inc.
operates restaurants coast to coast, primarily in bus terminals, and sells candy, gifts and souvenirs

Prophet Foods Co.
industrial-catering and food-service management organization serving industry, banks and other commercial establishments, colleges, schools, hospitals and nursing homes; operates route vending in selected cities

Miami Cafeteria, Inc.
operates a chain of Polly Davis public restaurants in Atlanta, Georgia, and in southeast Florida

Restaura, S. A.
Belgium-based, provides restaurant engineering services and operates food facilities throughout Belgium; is owned equally with Au Bon Marche, large European merchandising organization

FINANCIAL

Greyhound Leasing & Financial Corporation
world's largest industrial-leasing company, with subsidiary operations in Europe and Canada

GC Computer Corporation
largest nonmanufacturing computer-leasing company, leasing computers, principally IBM System/360, to industrial, governmental and service organizations throughout the United States

General Fire and Casualty Company
writes various lines of insurance: casualty, workmen's compensation, fire and burglary, and provides travel-accident insurance

Travelers Express Company, Inc.
nation's second-largest money order firm

SERVICES

Aircraft Services International, Inc.
provides ground-handling services such as into-plane fueling for major domestic and foreign airlines, plus nonairline maintenance and janitorial services

Stock Exchanges

Common stock of The Greyhound Corporation is listed and traded on the New York, Midwest and Pacific Coast stock exchanges. It also is traded on the Boston, Philadelphia, Baltimore, Detroit and Cincinnati exchanges. The 4½ per cent cumulative preference stock is listed on the New York and Pacific Coast exchanges. The 3 per cent second cumulative preference stock is listed on the New York, Midwest and Pacific Coast exchanges.

Transfer Agents

First National City Bank, 399 Park Avenue, New York, New York 10013

Continental Illinois Bank & Trust Company of Chicago, 231 South LaSalle Street, Chicago, Illinois 60690

Crocker-Citizens National Bank, 1 Montgomery Street, San Francisco, California 94120

Registrars

Morgan Guaranty Trust Company of New York, 30 West Broadway, New York, New York 10015

Harris Trust & Savings Bank, 111 West Monroe Street, Chicago, Illinois 60603

Wells-Fargo Bank, 464 California Street, San Francisco, California 94120

Corporate Headquarters

The Greyhound Corporation,
10 South Riverside Plaza, Chicago, Illinois 60606
(312) 346-7560

The Greyhound Corporation, 10 South Riverside Plaza, Chicago, Illinois 60606